

CHAPTER VII

FUND FLOWS BETWEEN THE CORPORATION AND THE PARTICIPATING GOVERNMENT

The State and Central Governments have been receiving from the corporations considerable sums of money, not only by way of interest on the capital invested but also by way of various taxes. The object of this Chapter is to study the effect of the fund flows between the North Bengal State Transport Corporation and the participating governments and specially to ascertain

- a) The payments made by Corporations and the nature and extent of such payments;
- b) The payment made by the Corporation is more than what it has received (or Vice-Versa), during the period viz., 1976-77 to 1986-87.

- c) To determine the effect of net flows on the finances and on the fulfilment of the objectives by the Corporation¹.

According to Road Transport Corporations Act 1950, the State governments are responsible for initiating the Corporations in the best interests of the passengers. The study of this chapter will reveal whether the Governments have acted in a manner which is helpful in fulfilling the objectives of the Corporation. The following table will show the itemwise payments to governments from 1976-77 to 1986-87 (excepting 1979-80).

Table 7.1

Itemwise payments to Governments from 1976-77 to 1986-87
(excepting 1979-80)

Item	Amount (in lakhs)	Percentage to total	Percentage to gross Revenue
1. Motor vehicle taxes	15.06	0.98	0.32
2. Other taxes	40.24	2.52	0.83
3. Interest on Loan/ Capital	1,479.75	95.40	30.87
Grand Total	1,535.05	100.00	32.02

Source : Gross Revenue Receipts from 1976-77 to 1986-87 except 1979-80 — 4792.83 Lakhs.

Performance Report on Nationalised Road Transport undertakings, Pune, and Provisional Balance sheet of NBSTC.

The total payments made by the Corporation to governments during 1976-77 to 1986-87 (except 1979-80) amounts to Rs. 1,53,505 lakhs and account for 32.01 per cent of the total revenue receipts obtained (Col.VI) revealing that out of every rupee received by the Corporation about one-third is made over to government. The interest on Capital/Loan is the single largest item and accounts for 96.40 per cent of total payment

and 30.87 per cent of total revenue. The motor vehicle Tax amounts to 0.98% and other taxes 2.52 percent of the total payment and are not significant.

The items analysed can be ranked as follows :

Table 7.2

Ranks of Payments

	Percentage share in total pay- ments	Percentage share in Gross Revenue Receipts
1. Interest on Capital contribution/Loan	96.40	30.87
2. Passenger Tax (other Tax)	2.52	0.83
3. Motor vehicle Taxes	0.98	0.32
	100.00	32.02

7.1 Total Payments Made to Governments and Total (Gross) Revenue Receipts :

The following table will depict total payments to government, to the revenue receipts and total payments as percentage of Gross Revenue Receipts.

Table 7.3

Total payments to Governments, Total Revenue Receipts and total payments as percentage of Gross Revenue Receipts

Year	Total Payment		Total Revenue Receipts		Total payments as percentage of Gross Revenue Receipts
	Amount in Lakhs	% change over 1976-77	Receipts (in lakhs)	% Change over 1976-77	
1976-77	50.36	..	286.56	..	17.57
1977-78	62.43	23.96	309.54	7.38	20.16
1978-79	78.44	55.76	371.91	29.73	21.09
1979-80	NA	NA	NA	NA	NA
1980-81	116.53	131.39	480.25	67.53	24.26
1981-82	141.42	180.82	512.14	78.55	27.51
1982-83	183.17	263.72	489.93	70.90	37.38
1983-84	188.80	274.90	505.50	76.34	37.35
1984-85	192.19	281.53	472.42	64.80	40.58
1985-86	293.72	483.24	535.52	86.81	54.84
1986-87	228.00	352.74	828.96	189.17	27.50

Source : Compiled from Report on Nationalised State Road Transport undertakings, Pune and Provisional Balance Sheet of NBSTC.

It is seen from the table that the total payment recorded a 352.74 per cent increase during the period as against the 189.17 per cent increase in respect of gross revenue receipts.

It can thus be seen that almost 32 paise in every rupee collected by the Corporation is made over to the Governments. Such a heavy share of gross revenue receipts being taken by the participating Governments signifies high burden and affects adversely on the finances and the financial performance. This size of payments have also bound to have an influence over the fixation of fares and affects the regular operations and expansion plans of the Corporation.

Development economists consider it a sin to earmark revenue realised from a particular sector to the same sector. This gem of conventional wisdom will be self-defeating when applied to a potentially versatile sector like road transport. There is a strong case for increasing the allocations to the roads and road transport to at least 50 per cent of the revenue realised from the same sector². It is a recognised fact in other parts of the world that road development and road operations have a tremendous capacity to trigger off economic growth. If, therefore, we wish to take advantage of this, we should allocate larger investments to road transport industry. This is

both economically practicable and urgently necessary"³.

In many countries to-day the passenger bus service is highly subsidised. The capital cost of a bus is subsidised to the extent of 50 per cent in the U.K. Apart from the capital cost, the government provides rebates in price for diesel consumption to encourage public transport"⁴.

7.2 Itemwise Analysis of Payments :

The following table will show the itemwise analysis of payments

Table 7.4

Itemwise Payments							
Year	M.V. Tax		Other Tax		Interest on Loan/Capital		Total payments
	Amt. in lakhs	% over 1976-77	Amt. in lakh	% over 1976-77	Amt. in lakh	% over 1976-77	
1976-77	.82	..	3.08	..	46.46	..	50.36
1977-78	2.37	189.02	2.90	5.84	57.16	23.03	62.43
1978-79	1.28	56.09	3.11	.97	74.05	59.38	78.44
1979-80	NA	NA	NA	NA	NA	NA	NA
1980-81	.74	9.75	3.33	8.12	112.46	142.05	146.53
1981-82	1.10	34.14	3.54	14.93	136.78	194.40	141.42

contd ...

Table 7.4 contd ...

1982-83	.90	9.75	4.30	39.51	177.97	283.06	183.17
1983-84	.64	- 21.95	4.35	41.23	183.81	295.63	188.80
1984-85	.54	- 34.15	2.58	- 16.23	189.07	306.95	192.19
1986-87	4.00	387.80	10.00	224.67	214.00	360.51	228.00

Source : Compiled from Report on the Nationalised State Road Transport undertakings, Pune, Provisional Balance sheet of NBSTC.

It appears from the table that Motor vehicle taxes have registered a 387.80 per cent increase over 1976-77 during the study period. Other taxes have shown an increase of 224.67 per cent over the period. The interest on capital contribution increased 360.51 per cent over the period. The changes in the percentage of Motor Vehicle taxes and other taxes over 1976-77 was not significant till 1984-85. The rate has become faster from the year 1985-86 in case of Motor vehicle tax and from 1986-87 in case of other taxes while the interest on capital was increasing gradually from 1976-77 to 1985-86 except the year 1986-87.

7.3 Payments Made and Capital Contribution Received From 1976-77 to 1984-85

The following table will show the capital contribution and payments made to the Governments.

Table 7.5

Payments made and Capital contribution

	Capital contribution (in lakhs)		Total	Payments made (in lakhs)	Payments as percentage of Receipt
	Central Govt.	State Govt.			
1976-77	Nil	184.60	184.60	50.36	27.28
1977-78	Nil	203.45	203.45	62.43	30.68
1978-79	52.50	275.19	327.69	78.44	23.93
1979-80	Nil	332.80	332.80	NA	..
1980-81	42.50	268.20	310.70	116.53	37.50
1981-82	21.50	478.87	500.37	141.42	28.26
1982-83	NA	NA	NA	NA	NA
1983-84	NA	NA	NA	NA	NA
1984-85	Nil	139.35	139.35	192.19	137.91

Source : Compiled from Provisional Balance Sheet of NBSTC.

It appears from the table that capital contribution received from the participating governments is irregular during the period. The payments made to the participating governments during the beginning years of the table were relatively lower than the capital contribution received, But from 1984-85 payments made to the participating government were higher than the capital contribution received". If only the participating governments returned at least 50 per cent of what they had received it would save the

Corporation from depending on costly alternative sources of finance and would have significantly helped to expand its activities quantitatively and qualitatively"⁵.

The higher the percentage of payments than the capital contribution received, the higher the flow back of gross revenue receipts to the government. The effect on passenger is that they are made to pay a higher price". Keeping in view the high speed, i.e. the short time within which the amounts invested are recovered, the governments must actively consider the question of adequately financing the Corporation even in their own interest of augmenting the revenues for the exchequers"⁶. Road transport is contributing a substantial amount of revenue to the national exchequer. So the demands from the State Road Transport undertakings fully justifies a much longer allocation for the development of road and road transport"⁷. It is not the case that the Governments are not aware of the need for development of roads and road transport but they do not seem to be realising the potential profits they are losing in not adequately financing the public sector road transport Corporations"⁸.

7.4 Impact of Fund Flows on the Fulfilment of the Objectives of the Corporations :

The matter to be discussed now is the effect of fund flows on the ability of the Corporation to fulfil its

objectives.

The interest on Capital/Loan account for as much as 30.87 per cent of total revenue receipts and it is easily assumed that it will form still a greater percentage of the cost. This high level of interest cost, constituting a considerable portion of the total cost, will lead to high fare level, besides acting as a hurdle to the healthy improvement of the Corporation.

The capital contributions were not made proportionately along with the growing requirements of the Corporation. The agreed ratio of capital contribution between State and Central government is 2:1. But the Central Government is in a back log of Rs. 1207 lakhs in 1984-85. The effect is that the Corporation has to depend on costly alternative like borrowings from C.B.I, SBI and IDBI (Canara Bank). The following table will show the amount of borrowings by NBSTC in different years.

Table 7.6

Amount of Loan (Borrowings)

Year	Total Loan	SBI	PNB	IDBI	CBI	% on
1972-73	19,00,000	19,00,000	..	..	..	..
1973-74	40,79,000	15,98,000	7,14,000	12,56,000	5,11,000	114.60
1974-75	3,91,000	13,42,000	7,14,000	8,56,000	9,93,000	105.84
1975-76	31,17,712	10,05,013	5,94,533	5,78,832	9,39,334	64.09
1976-77	NA	NA	NA	NA	NA	NA
1977-78	41,12,270	4,11,000	2,31,000	25,50,270	9,21,000	116.48
1978-79	93,41,724	..	..	80,00,463	13,41,261	391.66
1980-81	82,99,108	..	..	55,47,108	27,50,000	336.79
1981-82	78,09,718	..	..	41,39,063	36,70,655	311.03
1982-83	NA	NA	NA	NA	NA	NA
1983-84	43,19,940	..	..	13,73,400	29,46,540	127.36
1984-85	33,45,367	..	..	..	33,45,367	76.07

Source : Provisional Balance Sheet of NBSTC.

The table speaks that the amount of loan records an increase by 76.07 per cent over the period from 1976-77 to 1984-85. This high cost of external funds indirectly contribute to an increase in the cost of providing the services. The non-availability of required resources affect the Corporation's ability to provide adequate services and grow in a healthy manner, envisaged by Road Transport Corporations Act, of 1950. The provision of adequate finances deserves top priority"⁹.

SUMMARY

The State and Central Government have been receiving from the Corporations considerable sums of money. The object of this Chapter is to study the effect of the fund flows between the North Bengal State Transport Corporation and the participating Governments. According to Road Transport Corporation Act, 1950, Governments are responsible of initiating the Corporations in the best interests of the passengers. This Chapter will show the attitudes of the Government towards the fulfilment of the objectives of the Corporation.

It is observed that out of every rupee received by the Corporation about one-third is made over to Government. The interest on Capital/Loan is the single largest item and accounts for 96.40 per cent of total payment and 30.87 per cent of total revenue. The motor vehicle tax amounts to

0.98 per cent and other taxes 2.62 per cent of the total payment and are not significant. The total payments during the period from 76-77 to 86-87 excluding 79-80 recorded a 352.74 per cent increase during the period as against 189.67 per cent increase in respect of Gross revenue receipts. Such a heavy share of gross revenue receipts being taken by the participating Governments signifies high burden and affects adversely on the finances and the financial performance. The changes in the percentage of motor vehicle Taxes and other Taxes were not significant but the interest on capital was increasing gradually over the period except 86-87.

Capital contribution received from the participating Governments is irregular during the period. From 84-85 the payments made to the participating governments were higher than the Capital contribution received. The Capital contributions have not made proportionately along with the growing requirements of the Corporation. The agreed ratio of Capital Contribution between State and Central Government is 2:1. But the Central Government is in a back log of Rs. 1207 lakhs in 84-85. The effect is that the Corporation has to depend on costly alternative like borrowings from CBI, SBI and IDBI. The amount of loan records an

increase by 76.07 per cent over the period, from 76-77 to 84-85. The non-availability of required resources affects the Corporation's ability to provide adequate services and grow in a healthy manner, envisaged by Road Transport Corporations Act, 1950.

NOTES AND REFERENCES

1. V.Viswanadham, Finances of Public Enterprise, p.442.
2. P.Sudershamam, Road Transport and the Plan, Journal of Transport Management, Vol.11, No.6, January 79, p.13.
3. Regulation and Road Transport in India, Plan for more uniform procedure, State Transport News, Vol.1; No.1, July, 66, p.28.
4. K.C.Agarwal, "Hundredth Meeting of the Standing Committee, (S and C) - A review of Activities and Achievements, Journal of Transport Management, Vol.1, No.5, (Dec.77), p.22.
5. V.Viswanadham, op.cit., pp.440-441.
6. Ibid., p.445.
7. G.S.Dhilon, the union Minister for shipping and Transport quoted in State Transport News, Vol.X, No.8, Feb.76, p.7.
8. V.Viswanadham, op.cit., p.445.
9. Ibid., p.447.